

LEGISLATURE OF NEBRASKA  
ONE HUNDREDTH LEGISLATURE  
FIRST SESSION  
**LEGISLATIVE BILL 456**

Introduced by White, 8

Read first time January 16, 2007

Committee: Revenue

A BILL

1 FOR AN ACT relating to revenue and taxation; to amend  
2 section 77-3807, Reissue Revised Statutes of Nebraska,  
3 and section 77-2715.07, Revised Statutes Cumulative  
4 Supplement, 2006; to provide an income tax credit to  
5 shareholders of subchapter S financial institutions; to  
6 provide an operative date; and to repeal the original  
7 sections.

8 Be it enacted by the people of the State of Nebraska,

1                   Section 1. Section 77-2715.07, Revised Statutes  
2 Cumulative Supplement, 2006, is amended to read:

3                   77-2715.07 (1) There shall be allowed to qualified  
4 resident individuals as a nonrefundable credit against the income  
5 tax imposed by the Nebraska Revenue Act of 1967:

6                   (a) A credit equal to the federal credit allowed under  
7 section 22 of the Internal Revenue Code; and

8                   (b) A credit for taxes paid to another state as provided  
9 in section 77-2730.

10                  (2) There shall be allowed to qualified resident  
11 individuals against the income tax imposed by the Nebraska Revenue  
12 Act of 1967:

13                  (a) For returns filed reporting federal adjusted  
14 gross incomes of greater than twenty-nine thousand dollars, a  
15 nonrefundable credit equal to twenty-five percent of the federal  
16 credit allowed under section 21 of the Internal Revenue Code of  
17 1986, as amended;

18                  (b) For returns filed reporting federal adjusted gross  
19 income of twenty-nine thousand dollars or less, a refundable credit  
20 equal to a percentage of the federal credit allowable under section  
21 21 of the Internal Revenue Code of 1986, as amended, whether or  
22 not the federal credit was limited by the federal tax liability.  
23 The percentage of the federal credit shall be one hundred percent  
24 for incomes not greater than twenty-two thousand dollars, and  
25 the percentage shall be reduced by ten percent for each one

1 thousand dollars, or fraction thereof, by which the reported  
2 federal adjusted gross income exceeds twenty-two thousand dollars;

3 (c) A refundable credit for individuals who qualify for  
4 an income tax credit as an owner of agricultural assets under the  
5 Beginning Farmer Tax Credit Act for all taxable years beginning or  
6 deemed to begin on or after January 1, 2001, under the Internal  
7 Revenue Code of 1986, as amended; and a refundable credit as  
8 provided in section 77-5209.01 for individuals who qualify for an  
9 income tax credit as a qualified beginning farmer or livestock  
10 producer under the Beginning Farmer Tax Credit Act for all taxable  
11 years beginning or deemed to begin on or after January 1, 2006,  
12 under the Internal Revenue Code of 1986, as amended;

13 (d) A refundable credit for individuals who qualify for  
14 an income tax credit under the Nebraska Advantage Microenterprise  
15 Tax Credit Act or the Nebraska Advantage Research and Development  
16 Act; and

17 (e) A refundable credit equal to eight percent of the  
18 federal credit allowed under section 32 of the Internal Revenue  
19 Code of 1986, as amended.

20 (3) There shall be allowed to all individuals as a  
21 nonrefundable credit against the income tax imposed by the Nebraska  
22 Revenue Act of 1967:

23 (a) A credit for personal exemptions allowed under  
24 section 77-2716.01; and

25 (b) A credit for contributions to certified community

1 betterment programs as provided in the Community Development  
2 Assistance Act. Each partner, each shareholder of an electing  
3 subchapter S corporation, each beneficiary of an estate or trust,  
4 or each member of a limited liability company shall report his or  
5 her share of the credit in the same manner and proportion as he  
6 or she reports the partnership, subchapter S corporation, estate,  
7 trust, or limited liability company income.

8 (4) There shall be allowed as a credit against the income  
9 tax imposed by the Nebraska Revenue Act of 1967:

10 (a) A credit to all resident estates and trusts for taxes  
11 paid to another state as provided in section 77-2730; and

12 (b) A credit to all estates and trusts for contributions  
13 to certified community betterment programs as provided in the  
14 Community Development Assistance Act.

15 (5) There shall be allowed to all business firms as a  
16 credit against the income tax imposed by the Nebraska Revenue Act  
17 of 1967 a credit as provided in section 77-27,222.

18 (6) There shall be allowed to each shareholder of a  
19 subchapter S corporation as a credit against the income tax  
20 imposed by the Nebraska Revenue Act of 1967 a credit equal to the  
21 shareholder's portion of the amount of franchise tax paid to the  
22 state under sections 77-3801 to 77-3807 by a financial institution  
23 organized as a subchapter S corporation. Each shareholder of a  
24 subchapter S corporation shall report his or her share of the  
25 credit in the same manner and proportion as he or she reports the

1 subchapter S corporation income.

2           Sec. 2. Section 77-3807, Reissue Revised Statutes of  
3 Nebraska, is amended to read:

4           77-3807 (1) The Tax Commissioner shall prescribe the  
5 necessary forms and the supporting documentation to be filed for  
6 the reporting and payment of the tax imposed by section 77-3802 and  
7 for the calculation of credits allowable under subsection (6) of  
8 section 77-2715.07.

9           (2) The Tax Commissioner shall adopt and promulgate rules  
10 and regulations to carry out sections 77-3801 to 77-3807.

11           (3) The Tax Commissioner may use electronic funds  
12 transfers to collect the tax imposed by section 77-3802 or to pay  
13 any refunds allowed under section 77-3806. The use of electronic  
14 funds transfers shall not change the rights of any party from the  
15 rights such party would have if a different method of payment is  
16 used.

17           Sec. 3. This act becomes operative for taxable years  
18 beginning or deemed to begin on or after January 1, 2007, under the  
19 Internal Revenue Code of 1986, as amended.

20           Sec. 4. Original section 77-3807, Reissue Revised  
21 Statutes of Nebraska, and section 77-2715.07, Revised Statutes  
22 Cumulative Supplement, 2006, are repealed.